

PUBLIC DISCLOSURE

April 12, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State Bank of Southern Utah
Certificate Number: 17964**

**377 North Main Street
Cedar City, Utah 84720**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **State Bank of Southern Utah (SBSU), Cedar City, Utah**, prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **April 12, 2010**. The agency evaluates performance in assessment areas (AAs), as they are delineated by the institution, rather than individual branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

A CRA rating of "Outstanding" is assigned. An institution in this group has an outstanding record of helping to meet the credit needs of its AAs, including LMI neighborhoods, in a manner consistent with its resources and capabilities. The following supports this rating:

The Lending Test is rated: Outstanding.

- The average net loan-to-deposit ratio (ANLTD) since the previous CRA evaluation is reasonable given SBSU's size, financial capacity, and AA credit needs.
- An analysis of small business loans reveals that a substantial majority were made within the AAs.
- The geographic distribution of home mortgage, small farm, and small business loans reflects an excellent dispersion throughout the AAs. No unexplained lending gaps were identified.
- The distribution of borrowers reveals an excellent penetration of lending among individuals of different income levels and businesses of different gross annual revenues (GARs).

The Community Development Test is rated: Satisfactory.

- SBSU's community development performance demonstrates adequate responsiveness to community development needs in its AAs. This is accomplished through community development loans, qualified investments, and community development services, as appropriate. It also takes into consideration SBSU's capacity and the credit needs and availability of such opportunities for community development in its AAs.

SCOPE OF EXAMINATION

This evaluation utilizes the intermediate small institution examination procedures and covers the time period since the previous evaluation, conducted February 26, 2007, through the current evaluation date of April 12, 2010. To assess SBSU's performance with respect to the intermediate small institution examination procedures, the following lending performance criteria are analyzed:

- The ANLTD ratio;
- The level of lending within the AAs;
- The geographic distribution of loans;
- The distribution of lending to individuals of different income levels and businesses of different sizes (borrower profile); and
- SBSU's response to any consumer complaints regarding its CRA performance.

Of these criteria, the most weight was placed on SBSU's borrower profile performance and geographic distribution of loans. In addition to the lending test criteria, SBSU's community development activities were analyzed to determine its responsiveness to community development needs in its AAs through community development loans, qualified investments, qualified donations, and community development services, as appropriate.

Examiners relied upon records and reports provided by SBSU, publicly available loan and financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The evaluation was conducted from SBSU's Main Office in Cedar City, Utah. SBSU's Parowan Branch in Parowan, Utah was also visited. Examiners evaluated SBSU's CRA performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its AAs,
- Lending and community development opportunities within its AAs,
- Institution financial resources and constraints,
- Institution product offerings and business strategy,
- Information derived from community contacts, and
- The performance of similarly situated institutions.

The evaluation focused on SBSU's home mortgage lending (home purchase and home refinance loans), small business lending (commercial real estate and commercial industrial loans originated in amounts of \$1 million or less), and small farm lending (farmland-secured and agricultural production loans of \$500,000 or less) because these loan products comprise the greatest percentage of lending done by SBSU.

Examiners analyzed SBSU's home mortgage loan data reported on SBSU's Home Mortgage Disclosure Act (HMDA) loan application register (LAR). The HMDA LAR confirmed that SBSU originated 314 loans totaling approximately \$59 million in 2008, and 558 loans totaling approximately \$95 million in 2009.

To evaluate SBSU's small business and small farm lending performance, examiners analyzed SBSU's loan data, as collected for CRA purposes for 2008 and 2009. Although SBSU is not yet subject to large bank CRA data collection and reporting requirements, SBSU voluntarily collects the data. Review of the CRA small business loan data showed that SBSU originated 658 loans totaling approximately \$68 million in 2008, and 540 loans totaling approximately \$53 million in 2009. SBSU originated 174 loans totaling approximately \$12 million in 2008, and 183 loans totaling approximately \$11 million in 2009, according to the CRA small farm loan data.

Construction and land development loans, which comprise 31 percent of the loan portfolio, were not analyzed. This loan category is not a focus of CRA Evaluations, and comprised less than 13 percent of recent loan originations by dollar and 4 percent by number of the bank's portfolio. SBSU's construction and land development loans are extended to residential and commercial real estate developers and investors, and consumers. Consumer loans were also not reviewed because these loans comprise less than 5 percent of SBSU's loan portfolio.

The analysis presented for AA concentration of small business loans reflect both the number and dollar volume of loans originated by SBSU. The borrower profile and geographic distribution of small business loans reflect only the number of loans originated by SBSU. The analyses by number of loans are considered more indicative of an institution's willingness to lend than the analyses by dollar volume. The number of loans represents the number of customers assisted, and therefore, carries more weight in this evaluation.

D&B data as of June 30, 2010, presents key demographic information including the total number of businesses and farms within each AA, and the reported gross sales of these entities. The 2000 U.S. Census Data is presented for comparison purposes in the analyses of home mortgage lending. The census information provides the total number of housing units, families, and the gross annual income levels of families within each AA. Aggregate 2008 HMDA lending data for all reporting institutions subject to HMDA within each AA, is also shown for comparison purposes.

SBSU's community development performance, consisting of all qualified community development loan, investment, donation, and service activities for the review period were included in this evaluation.

DESCRIPTION OF INSTITUTION

SBSU is a Utah state chartered commercial bank with total assets of \$672 million, total loans of \$453 million, and total deposits of \$557 million as of the December 31, 2009, Report of Condition and Income (CALL Report). SBSU operates 15 offices; 13 percent in moderate-income areas, 74 percent in middle-income areas, and 13 percent in upper-income areas. In addition to these branches, SBSU has an automatic teller machine (ATM) network of 15 ATMs; 11 are located within the branch locations, and 4 are located off-site. Two of the off-site ATMs are in moderate-income areas and two are in middle-income areas. SBSU did not close any branches since the prior evaluation. One branch opened in St. George, Utah, on July 25, 2007, in a moderate-income geography.

SBSU is a wholly owned subsidiary of Southern Utah Bancorporation, a one-bank holding company. No legal impediments exist that would prohibit the bank from meeting the credit needs of its AAs. SBSU received an outstanding rating at its previous CRA Evaluation, dated February 26, 2007.

SBSU offers a wide variety of real estate, commercial, agriculture, and consumer loan products, as well as a full range of deposit products. Detailed in Table 1 is the composition of the bank's loan portfolio, as of December 31, 2009.

Table 1 - Composition of Loan Portfolio as of December 31, 2009		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	138,176	31
Secured by Farmland	9,987	2
1 to 4 Family Residential (open-end)	41,066	9
1 to 4 Family Residential (closed-end)	23,954	5
Multi-Family (5 or more) Residential	9,213	2
Commercial Real Estate	148,574	33
Total Real Estate Loans	370,970	82
Commercial/Industrial	39,393	9
Agricultural	14,669	3
Consumer	22,040	5
Other Loans	671	Nominal
Lease Financing Receivables	0	0
Obligation of state and political subdivisions	5,481	1
LESS: Unearned Income on Loans	0	0
Total Loans	453,224	100

Source: SBSU's December 31, 2009, CALL Report

As illustrated in Table 1, the majority (42 percent) of the loan portfolio consists of commercial real estate and commercial/industrial loans followed by construction and land development (31 percent) and 1 to 4 family residential loans (14 percent).

DESCRIPTION OF ASSESSMENT AREAS

The CRA of 1977 (12 U.S.C. 2901), as amended, requires an institution to delineate one or more AA(s) within which its regulatory agency will evaluate the institution's record of helping to meet the credit needs of its community and surrounding area. An AA is an area that includes the geographies in which the institution has its main office, branch offices, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the institution has originated or purchased a substantial portion of its loans. AAs always consist of one or more whole block numbering areas or census tracts (CTs), which are statistical subdivisions of a county.

SBSU designates six contiguous Utah counties as its overall AA. The six counties are separated into the following two separate AAs for evaluation purposes:

St. George Metropolitan Statistical Area (MSA) #41100 – Washington County

Combined non-MSA – Iron, Kane, Garfield, Piute, and Sevier Counties

These AAs comply with the technical requirements of the regulation and do not arbitrarily exclude LMI neighborhoods. For the evaluation of SBSU's overall CRA performance, greater weight went to SBSU's performance within the combined non-MSA AA where a majority of SBSU's offices, loans, deposits, and resources are within the overall designated AA. Examiners used full-scope evaluation procedures for both the St. George MSA AA and the combined non-MSA AA. Refer to the separate sections of this evaluation report for details on each of SBSU's two full-scope AAs, including information on demographics and economic conditions.

Community Needs Assessment

Community contacts and review of economic data, confirmed that the credit needs of the AAs include affordable housing, assistance for small businesses and farms, and financial education for homeowners and business owners. According to this information, many small businesses and farms have encountered difficulties finding access to needed capital in the current economic environment. In addition to small business and farm financing, there is a need in many communities for education and training, specifically related to homeownership and business management.

Many of the communities within the AAs also rely on tourism to complement the overall economy. Non-urban areas in the AAs seem to have recovered a little faster due to a reliance on a more diverse variety of industries such as government, manufacturing, and trade/transportation. While unemployment numbers have recently risen, they remain below the national average.

SBSU's Response to Identified Credit and Community Development Needs

SBSU is an active member in the communities it serves. Officers and other employees are encouraged, as representatives of the bank, to be involved in local groups that assist LMI individuals. Each year SBSU sponsors training for LMI housing employees of the local housing authority to address the foreclosure and financial education needs in the AAs.

The local schools use SBSU as a resource for its students. SBSU sends employees into various schools to teach financial education to hundreds of elementary school students on "Teach Children to Save Day." Classes entitled "Get Smart About Credit" and "Your Bank & You" are also offered to area high school students. The classes cover checking, savings, budgets, credit,

credit cards, internet banking, and identity fraud. A majority of the schools involved are classified as Title 1 schools or otherwise qualify as LMI. In addition, SBSU provides a number of post secondary school scholarships to students in all of the areas served by the bank. Students from LMI families receive preference by the bank when issuing scholarships.

In response to the credit needs of the AAs, SBSU has been involved in a variety of loan programs to address home mortgage, small business, and small farm loan availability. These programs are summarized below.

- In addition to internal portfolio mortgage loans, SBSU offers secondary market mortgage loans, which are included in the HMDA loan originations numbers. These loan programs allow SBSU to offer competitive rates and terms as well as more flexible underwriting.
- SBSU is an approved Small Business Administration (SBA) lender. As an approved lender, it offers several loan programs. Their overall loan volume in 2009 earned SBSU recognition for the most loan originations in the medium lender category within the State of Utah.
 - The SBA 504 Loan Program provides small businesses with long term, fixed rate financing to acquire fixed assets. SBSU originated 5 SBA 504 loans for a total of \$5.5 million in 2007, 6 loans for a total of \$3.1 million in 2008, and 5 loans for a total of \$4.1 million in 2009. Small business loans are an identified credit need in the assessment area.
 - The SBA 7a Loan Program is a flexible loan program designed for a variety of purposes. SBSU originated 23 loans for a total of \$2.4 million in 2007, 14 loans for a total of \$3.1 million in 2008, and 54 loans for a total of \$3.8 million in 2009.
 - The SBA America's Recovery Capital (ARC) Loan Program provides small businesses facing immediate financial hardship with up to \$35,000 in short-term capital. This limited time program is available through September 30, 2010, as long as funding is available. These loans are interest free and 100 percent guaranteed by the SBA. SBSU has originated 51 of 347 ARC loans in the state of Utah as of April 2, 2010, according to the SBA website. This volume of loans makes SBSU the number 3 SBA ARC loan lender in Utah, and the top medium size lender in 2009.

SBSU is an active Farm Service Agency (FSA) loan lender. FSA loans provide a guarantee of up to 95 percent of the loss of principal and interest on a loan. The FSA guarantee permits lenders, like SBSU, to make agricultural credit available to farmers who do not meet the lender's routine underwriting criteria. SBSU originated 4 loans totaling approximately \$1.2 million in 2007, 3 loans totaling \$1.1 million in 2008, and 4 loans totaling \$2.1 million in 2009.

Community Contacts

Two recent community contacts were reviewed in conjunction with this evaluation. The first contact was from a small business development association. The contact explained that the current economic environment is very challenging. The contact attributed the recent downward spiral of the local economy to tightening of credit, related to the financial condition of the local banks. In addition, the local economy has experienced one of the highest rates of unemployment in the area. The contact indicated that there is a great need for small business financing, community education, and small business training. Training on how to successfully plan and manage a business was also discussed as a local credit need.

The second contact was from a community housing organization. The contact indicated that the residential housing market has suffered high foreclosure rates, resulting in a depressed real estate market. The contact indicated there are many opportunities to get involved with affordable housing and financial education that have not been fully met by local banks.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

SBSU's overall CRA performance reflects excellent responsiveness to its AAs' credit needs. In determining SBSU's overall CRA rating, SBSU's lending test performance was assigned more weight than its community development test performance. In addition, more significance went to SBSU's performance within the combined non-MSA AA, where the largest portion of SBSU's offices, loans, deposits, and resources are located. A summary follows of SBSU's overall performance under the lending and community development tests for intermediate small institutions.

LENDING TEST

SBSU's lending performance demonstrates excellent responsiveness to community credit needs in its AAs, considering SBSU's capacity and resources. The ANLTD ratio and overall lending concentration performance criteria apply to the institution overall. For additional details of SBSU's geographic distribution and borrower profile performance, refer to the separate AA lending performance discussions presented later in this evaluation report.

The bank's involvement in several loan programs that benefit home mortgage applicants, small businesses, and small farms, helped augment its lending performance under the lending test for each AA. These programs, described previously, include secondary market mortgage lending, SBA lending, and FSA lending.

ANLTD Ratio

SBSU's ANLTD ratio indicates reasonable responsiveness to the AAs' credit needs given its business focus and asset size. The ANLTD ratio is 83 percent, based on an average of the 12 quarter-end ratios since the previous evaluation, dated February 26, 2007. This ratio measures the extent to which SBSU utilizes its deposit resources to extend credit, and reveals a reasonable level of commitment to lending.

SBSU's highest quarter-end loan-to-deposit (LTD) ratio was approximately 89 percent for the quarter ending December 31, 2008, and its lowest was approximately 79 percent for the quarter ending March 31, 2007. Between March 31, 2007, and December 31, 2009, SBSU's deposits grew by 20 percent, while loans grew by 21 percent. Factors that impacted SBSU's quarter-end LTD ratios include the dollar amount of the guaranteed portion of SBA loans that are sold after closing and unanticipated commercial loan pay offs.

Two similarly situated financial institutions, in terms of portfolio composition, were identified within SBSU's designated AAs. SBSU's ANLTD ratio is less than the ANLTD ratios, over the same time period, than these two similarly situated institutions. The ANLTD ratios for the 2 similarly situated institutions were 86 and 95 percent. SBSU's ANLTD ratio, while somewhat lower, compares reasonably to the ratios of these similarly situated institutions, considering the factors discussed.

AA Concentration

The majority of analyzed SBSU loans are located inside its AAs. Table 2 shows the distribution by number and dollar volume of SBSU's small business, small farm, and home mortgage lending inside and outside its AAs. The table illustrates that approximately 91 percent by number and 92 percent by dollar volume of all small business, small farm, and home mortgage loans originated by SBSU in 2008 and 2009, are located within the AAs.

Table 2- Distribution of Loans Inside and Outside of the AAs

Loan Category/Year	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Small Business 2008*	618	94	40	6	658	64,351	95	3,719	5	68,070
Small Business 2009*	510	94	30	6	540	47,392	90	5,465	10	52,857
Small Farm 2008*	133	76	41	24	174	8,129	69	3,685	31	11,814
Small Farm 2009*	141	77	42	23	183	7,870	73	2,897	27	10,767
Home Mortgage 2008**	293	93	21	7	314	55,193	94	3,456	6	58,649
Home Mortgage 2009**	523	94	35	6	558	89,863	95	5,005	5	94,868
Total Loans Analyzed	2,218	91	209	9	2,427	272,798	92	24,227	8	297,045

Sources: *SBSU's Collected Small Farm and Small Business Loan Data; **SBSU's reported HMDA data

Geographic Distribution of Loans

The overall geographic distribution of small business loans reflects an excellent dispersion throughout the AAs. The geographic distribution of loans in the St. George MSA AA is reasonable. The geographic distribution of loans in the Combined Non-MSA AA is excellent. More weight is assigned to the combined non-MSA AA to determine the overall rating because a greater portion of SBSU's resources, branches, and loans are within this AA. No unexplained lending gaps were identified.

Borrower Profile

The distribution of borrowers reveals an excellent penetration of lending among individuals of different income levels and businesses of different GARs. The borrower profile for the St. George MSA AA is excellent. The borrower profile for the combined non-MSA AA is reasonable.

Consumer Complaints

SBSU has not received any complaints relating to its CRA performance. Therefore, this criterion is not factored into SBSU's overall rating.

COMMUNITY DEVELOPMENT TEST

SBSU's community development performance demonstrates adequate responsiveness to community development needs in its AAs. This is accomplished through community development loans, qualified investments, qualified donations, and community development services, as appropriate. The rating takes into consideration SBSU's capacity and the need and availability of such opportunities for community development in its AAs. SBSU's community development activities for the review period of February 26, 2007, through the current evaluation date of April 12, 2010, are summarized below. SBSU's total community development dollars (loans, investments, and donations) for the review period is \$30 million, or 4.4 percent of total assets. For details of these activities, refer to the separate AA discussions of SBSU's community development performance presented later in this evaluation report.

Community Development Loans

SBSU's community development loan activities demonstrate adequate responsiveness to its AAs' community development needs. SBSU originated 15 community development loans, totaling approximately \$20 million, during the review period. These loans primarily help to meet affordable housing needs, and revitalize and stabilize LMI or underserved areas. For details of these loans, refer to the individual AA discussions of SBSU's community development performance in the St. George MSA AA and combined non-MSA AA presented later in this CRA Evaluation. Table 3 provides a breakdown of the number and dollar volume of community development loans by AA.

Table 3 - Community Development Loans by AA								
Type/Primary Community Development Purpose	State – Outside AAs		St. George MSA AA		Combined Non-MSA AA		Total Qualified	
	#	\$ 000s	#	\$ 000s	#	\$ 000s	#	\$ 000s
Affordable Housing	0	0	2	1,125	1	1,638	3	2,763
Revitalization or Stabilization of LMI or Underserved Areas	0	0	3	4,165	9	12,996	12	17,161
Total Community Development Loans	0	0	5	5,290	10	14,634	15	19,924

Source: SBSU Records

Qualified Investments and Donations

SBSU's qualified investment and donation activities demonstrate adequate responsiveness to its AAs' community development needs. SBSU made 111 qualified investments and donations totaling approximately \$10 million during the review period. SBSU's investments and donations primarily help to meet the community service needs of LMI individuals and the economic development and revitalization needs of LMI geographies within SBSU's AAs.

Table 4 summarizes the distribution of SBSU's qualified investments and donations by type and AA.

Table 4 - Qualified Investments and Donations by AA								
Type/Primary Community Development Purpose	Statewide – Outside AAs		St. George MSA AA		Combined Non-MSA AA		Total Qualified	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Qualified Investments								
Revitalization or Stabilization of LMI or Underserved Areas	4	2,644	4	2,660	10	4,306	18	9,610
Total Qualified Investments	4	2,644	4	2,660	10	4,306	18	9,610
Qualified Donations								
Affordable Housing Donations	0	0	2	1	7	8	9	9
Community Service Donations	0	0	38	29	44	75	82	104
Revitalization or Stabilization of LMI or Underserved Areas	0	0	0	0	2	1	2	1
Total Qualified Donations	0	0	40	30	53	84	93	114
Grand Total Qualified Investments and Donations	4	2,644	44	2,690	63	4,390	111	9,724

Source: SBSU Records

As shown in Table 4, the majority of SBSU's qualified investments and donations benefit the Combined non-MSA AA, where the majority of its offices, operations, and resources are located. Examples of SBSU's largest investments and donations from both AAs are described below.

- SBSU invested \$1.4 and \$1 million in two different school district bonds that benefited schools in rural areas that are located in a designated middle-income distressed or underserved CT. Many of the schools in this area also qualify for Title 1 school status.
- SBSU invested \$1 million in an urban school district bond that benefited a school district in a large metropolitan area that is comprised of a majority of Title 1 schools.
- A series of donations totaling over \$20,000 were made to regional medical center foundations

to provide healthcare services to LMI patients who cannot afford them.

- A number of post-secondary school scholarships were granted to high school students from LMI families. During the review period, these donations totaled over \$10,000.

Community Development Services

SBSU's community development service activities demonstrate adequate responsiveness to its AAs' community development needs. SBSU employees and officers contributed their financial expertise to numerous organizations serving the community development needs of its AAs. These service hours primarily help to meet the community service needs of LMI individuals and the revitalization and stabilization needs of its AAs. The majority of the hours provided are within the combined non-MSA AA, where most of SBSU's employees and officers are located.

Table 5 summarizes the distribution of SBSU's annual community development service hours by community development purpose and AA.

Table 5 - Community Development Service Hours by AA				
Brief Service Description	Statewide Outside AAs	St. George MSA AA	Combined Non-MSA AA	Total Qualified
LMI Community Services	0	69	93	162
Revitalization or Stabilization of LMI or Underserved Areas	0	3	24	27
Total Service Hours	0	72	117	189

Source: SBSU Records

In addition to community development service hours, SBSU offers several loan/deposit products and services that benefit LMI individuals and geographies in AAs. These programs are described below.

- SBSU offers deposit account options for 501(c) 3 non-profit organizations, including a no-fee business checking account. SBSU currently maintains 430 of these accounts throughout the 2 AAs. Of these accounts, 63 are at branches within the St. George MSA AA, and 367 are at branches within the combined non-MSA AA.
- SBSU maintains 121 public fiduciary accounts for various cities, school districts, and other public entities. SBSU offers several account options, some of which pay interest. SBSU covers all related fees for these accounts.

- SBSU offers lawyer trust accounts. A lawyer trust account is an interest-bearing account for law firms acting as trustee for their client's funds. The interest is sent to the Utah Bar Foundation. The funds received by the Utah Bar Foundation are then used to provide legal services for LMI families who cannot afford legal services. According to the Utah Bar Foundation website, SBSU is 1 of only 19 institutions eligible to offer these types of accounts in Utah.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ST. GEORGE MSA AA

(Reviewed using full-scope review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ST. GEORGE MSA AA

SBSU operates six branch offices in the St. George MSA. Of SBSU's 193 total employees, 53 (or 27 percent) work at these offices. Table 6 below provides a list of SBSU's offices in the St. George MSA AA, the locations, CTs, CT income levels, hours of operation, and on-site alternative delivery systems.

Table 6 - Office Locations and Hours of Operations in the St. George MSA					
Office Name	Location	CT	CT Income Level	Hours of Operation	On-site Alternative Delivery Systems
Hurricane Office	Hurricane, AZ Washington County	2709.00	Middle	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:00am – 6:00pm Saturday 8:00am – 1:00pm	n/a
Santa Clara Branch	Santa Clara, AZ Washington County	2705.00	Upper	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:00am – 6:00pm Saturday 10:00am – 1:00pm	On-site ATM
St. George Branch	St. George, AZ Washington County	2703.00	Middle	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:00am – 6:00pm Saturday 8:00am – 1:00pm	On-site drive-up and walk-up ATMs
River Road Office	St. George, UT Washington County	2712.00	Moderate	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:00am – 6:00pm Saturday 8:00am – 1:00pm	n/a
Washington Wal-Mart	Washington, UT Washington County	2708.00	Middle	Lobby: Mon – Fri 10:00am – 7:00pm Saturday 10:00am – 4:00pm	On-site ATM
St. George Wal-Mart	St. George, UT Washington County	2716.00	Upper	Lobby: Mon – Fri 10:00am – 7:00pm Saturday 10:00am – 4:00pm	On-site ATM

Source: SBSU Records; 2000 U.S. Census Data

Demographics

Table 7 shows the breakdown of the geographic income characteristics of the 18 CTs in the St. George MSA AA based on 2000 U.S. Census Data, along with other selected demographic data.

Table 7 - Demographic Information for the St. George MSA AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (CTs)*	18	0	11	72	17	0
Population by Geography*	90,354	0	10	72	17	0
Owner-Occupied Housing by Geography*	22,144	0	9	71	20	0
Business by Geography**	14,918	0	10	73	17	0
Farms by Geography**	379	0	8	71	21	0
Family Distribution by Income Level*	23,639	0	10	72	18	0
Distribution of LMI Families throughout AA Geographies*	8,497	0	15	76	9	0
Median Family Income* (MFI)	\$41,777	Median Housing Value*		\$131,931		
HUD Adjusted MFI for 2009***	\$53,800	Unemployment Rate****		6.4%		
Households Below Poverty Level	10%					

The NA category contains no geographies with an unassigned income classification.

Sources: *2000 U.S. Census; ** 2009 D&B data, *** HUD adjusted MFI for 2009; ****4th Quarter 2009 Haver Analytics

The St. George MSA consists of Washington County, which has a total population of over 90,000 according to the 2000 U.S. Census. Cities in the St. George MSA AA include St. George (county seat), Hurricane, Santa Clara, and Washington. The *December 2009 Moody's Economy.com* report stated that the St. George economy has been heavily impacted by the recession without any noticeable signs of job market turnaround. Weak employment and income trends nationally are delaying the pickup of tourism. St. George's economy will continue to struggle in the early part of 2010 due to housing-related woes. A recovery is not expected until the end of the year, which will be led by service-producing industries, as they will gain from improving population growth.

Competitive Environment

According to the June 30, 2009, FDIC Summary of Deposits, SBSU faces competition from 10 financial institutions in the St. George MSA for deposit market share. The 11 institutions account for 40 banking offices and \$1.6 billion in total deposits within the MSA. SBSU ranks 5th with an 8 percent share of total deposits in the MSA. One large regional bank and one national bank hold the top two market share positions for a total of 53 percent of market share.

According to 2008 aggregate HMDA data, SBSU faced competition from 276 reporting financial institutions for home mortgage market share in the St. George MSA. All reporting institutions originated or purchased 10,643 home mortgage loans, totaling \$2.6 billion, in the St. George MSA. SBSU ranked 25th, with a 1.05 percent share of the total number of home mortgage loans

in the MSA. The 2009 aggregate HMDA data is not yet available as of the evaluation date.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ST. GEORGE MSA

SBSU's CRA performance in the St. George MSA AA reflects excellent responsiveness to AA credit needs. SBSU's performance under the lending and community development tests for intermediate small institutions is summarized below.

LENDING TEST

SBSU's lending performance demonstrates excellent responsiveness to community credit needs in the St. George MSA AA, considering SBSU's capacity and resources. SBSU's lending activity in the AA included 78 home mortgage loans totaling \$16 million in 2008; 151 home mortgage loans totaling \$28 million in 2009; 11 small farm loans totaling over \$1 million in 2008; 13 small farm loans totaling almost \$2 million in 2009; 197 small business loans totaling \$24 million in 2008; and 137 small business loans totaling \$15 million in 2009. This represents 26 percent by number and 32 percent by dollar volume of total SBSU loans reviewed. SBSU's performance under the geographic distribution and borrower profile lending test criteria in the St. George MSA AA is summarized below.

Geographic Distribution of Loans

SBSU's geographic distribution of loans reflects reasonable dispersion of loans throughout the AA. The geographic distributions of home mortgage loans, small farm loans, and small business loans reflect reasonable penetration in the county's moderate-income CTs. No unexplained lending gaps were identified.

Home Mortgage Loans

The geographic distribution of SBSU's home mortgage loans illustrates reasonable dispersion of loans throughout the AA. Table 8 provides the geographic distribution of SBSU's home mortgage loans within the AA by number of loans. Also shown, for comparative purposes, are the demographic distribution of owner-occupied housing units, and the 2008 aggregate lending data by CT location.

Table 8 - Geographic Distribution of Home Mortgage Loans in the St. George MSA AA

CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		2008 Aggregate Lending**	Owner Occupied Units***
	#	%	#	%	%	%
Low	0	0	0	0	0	0
Moderate	3	4	10	7	8	9
Middle	61	78	111	73	71	71
Upper	14	18	30	20	21	20
Total	78	100	151	100	100	100

Sources: *SBSU's Reported HMDA data; **2008 Aggregate HMDA data; ***2000 U.S. Census Data.

As illustrated in Table 8, SBSU's penetration of home mortgage loans in moderate-income CTs increased from 4 percent in 2008 to 7 percent in 2009. SBSU's penetration of these CTs for both years is slightly lower than the percentage of the AA's owner-occupied housing units that are located in these CTs (9 percent). The comparison of SBSU loans in 2008 to aggregate lending also shows slightly lower performance in moderate-income CTs. Home mortgage loan volume increases in 2009, along with moderate-income CT penetration, show a reasonable comparison to the percentage of owner-occupied units. Analysis of the distribution by dollar volume yielded similar results. Considering SBSU's community lending focus, lending capacity, and competition, SBSU's geographic distribution of home mortgage loans is considered reasonable.

Small Farm Loans

The geographic distribution of SBSU's small farm loans illustrates a reasonable dispersion of loans throughout the AA, considering the geographic distribution of CTs in the AA. Table 9 provides the geographic distribution of SBSU's small farm loans within the AA, as represented by SBSU's collected small farm loan data, by number volume. Analyses by dollar volume of loans yielded similar results. The geographic distribution of the total number of farms in the AA is also shown for comparison purposes.

Table 9 - Geographic Distribution of Small Farm Loans in the St. George MSA AA

CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		Farms**	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	0	0	0	0	29	8
Middle	10	91	12	92	270	71
Upper	1	9	1	8	80	21
Total	11	100	13	100	379	100

Sources: *SBSU's collected small farm loan originations data; **June 2009 D&B.

As illustrated in Table 9, SBSU's penetration of small farm loans in moderate-income CTs for both 2008 and 2009 by number of small farm loans (0 percent) compares unfavorably to the percentage of the AA's farms that are located in these CTs (8 percent). Considering that the two moderate-income CTs in this AA are located within the city limits of St. George, which is primarily an urban area, farm loan opportunities are limited. A significant majority of the farms are located in middle-income CTs where SBSU had excellent penetration. Considering the geographic distribution of moderate-income CTs within the AA, excellent penetration of middle-income CTs, SBSU's community lending focus and lending capacity, SBSU's geographic distribution of small farm loans is reasonable.

Small Business Loans

The geographic distribution of SBSU's small business loans reflects reasonable dispersion of loans throughout the AA, given the demographics and current economic condition of the AA, and considering SBSU's lending capacity, competition, and office locations. Table 10 provides the geographic distribution of SBSU's small business loans within the AA, as represented by SBSU's collected small business loan data, by number of loans. The geographic distribution of the total number of businesses in the AA is also shown for comparison purposes.

Table 10 - Geographic Distribution of Small Business Loans in the St. George MSA AA						
CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		Businesses**	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	22	11	12	9	1,576	10
Middle	142	72	101	73	10,847	73
Upper	33	17	24	18	2,495	17
Total	197	100	137	100	14,918	100

Sources: *SBSU's collected small business loan data; **June 2009 D&B.

As illustrated in Table 10 the percentages of SBSU's 2008 and 2009 small business lending activity in moderate-income CTs (11 and 9 percent, respectively) mirrors the percentage of businesses in these CTs (10 percent). Although greater weight is given to the analyses of loans by number volume, it is noted that analyses by dollar volume reveals stronger penetration of moderate-income CTs. 2008 and 2009 small business loans in moderate-income CTs by dollar were 13 percent and 12 percent, respectively. Considering SBSU's office locations, lending capacity, and level of involvement in special loan programs, the geographic distribution of small business loans is reasonable.

Borrower Profile

SBSU's overall borrower profile performance within the AA is considered excellent. While the distribution of small business loans by GARs of the business reflects reasonable penetration among business of different revenue levels, the distributions of both home mortgage and small farm loans reflect excellent penetration of loans to individuals of different income levels and to small farms of different revenue levels.

Home Mortgage Loans

SBSU's distribution of home mortgage loans reflects excellent penetration of lending among LMI individuals within the AA. Table 11 provides the distribution of SBSU's home mortgage loans originated within the AA during 2008 and 2009, by number of loans, among borrowers of different income levels. An analysis of loans by dollar volume yielded similar results. The demographic distribution of the total number of families and the borrower income distribution of the 2008 aggregate lending data in the AA is included for comparison purposes.

Table 11 - Borrower Distribution of Home Mortgage Loans in the St. George MSA AA						
Borrower Income Level	2008 SBSU Loans*		2009 SBSU Loans*		2008 Aggregate Lending**	Families***
	#	%	#	%	%	%
Low	3	4	6	4	2	0
Moderate	16	21	33	22	11	10
Middle	11	14	27	18	22	72
Upper	46	59	84	55	51	18
N/A****	2	2	1	1	14	0
Total	78	100	151	100	100	100

Sources: *SBSU's Reported HMDA data; **2008 Aggregate HMDA data; ***2000 U.S. Census Data; ****N/A category primarily includes loans made to commercial entities.

As illustrated in Table 11, SBSU's penetration of home mortgage loans in 2008 to LMI borrowers (4 percent and 21 percent, respectively) compares favorably to the 2008 aggregate performance (2 and 11 percent, respectively), and favorably to the distribution of families in these income levels (0 and 10 percent, respectively). SBSU's performance to LMI borrowers increased slightly in 2009. The AA shows 10 percent of families below the poverty line, indicating that homeownership for these, and many low-income families, in the AA is not affordable, and further supports SBSU's excellent penetration. Analysis of the distribution by dollar volume yielded similar results. Considering SBSU's community lending focus, lending capacity, participation in special loan programs, competition, and AA demographics, its distribution of home mortgage loans by borrower income is considered excellent.

Small Farm Loans

SBSU's distribution of small farm loans reveals an excellent penetration of loans among farms of different revenue sizes within the AA. Table 12 provides the distribution of SBSU's small farm lending activity among farms with differing GARs, as represented by SBSU's collected small farm loan data. The table provides the distribution of loans by number volume of loans. Analysis of the distribution by dollar volume yielded similar results. The GAR distribution of the total number of farms in the AA is also shown for comparison purposes.

Table 12 - Distribution of Small Farm Loans by Borrower GAR Size in the St. George MSA AA						
GAR Size (000s)	2008 SBSU Loans*		2009 SBSU Loans*		Farms**	
	#	%	#	%	#	%
< \$1,000	11	100	13	100	369	97
> \$1,000	0	0	0	0	4	1
Not Known/Reported	0	0	0	0	6	2
Total	11	100	13	100	379	100

Sources: *SBSU's collected small farm loan data; **June 2009 D&B.

As illustrated in Table 12, SBSU originated 100 percent in 2008 and 2009 by number and by dollar volume of its small farm loans to farms with gross annual revenues of \$1 million or less. This performance compares favorably with the distribution of farms reporting such revenues (97 percent), and illustrates SBSU's willingness to make loans to small farms. This commitment to small farm lending is also evidenced by SBSU's participation in the previously mentioned FSA lending program. Considering SBSU's community lending focus, lending capacity, competition, and AA demographics, its distribution of small farm loans by borrower revenue is considered excellent.

Small Business Loans

SBSU's distribution of small business loans indicates reasonable penetration of loans among businesses of different revenue sizes within the AA. Table 13 provides the distribution of SBSU's small business lending activity among businesses with differing GARs, as represented by SBSU's collected small business loan data. The table provides the distribution of loans by number volume of loans. The GAR distribution of the total number of businesses in the AA is also shown for comparison purposes.

Table 13 - Distribution of Small Business Loans by Borrower GAR Size in the St. George MSA AA						
GAR Size (000s)	2008 SBSU Loans*		2009 SBSU Loans*		Businesses**	
	#	%	#	%	#	%
≤ \$1,000	146	74	97	71	11,410	76
> \$1,000	51	26	40	29	443	3
Not Known/Reported	0	0	0	0	3,065	21
Total	197	100	137	100	14,918	100

Sources: *SBSU's collected small business loan data; **June 2009 D&B.

As illustrated in Table 13, the percentage of SBSU's small business loans in 2008 and 2009 by number volume to businesses earning \$1 million or less in GARs (74 and 71 percent, respectively) compares reasonably to the percentage of the AA's businesses that reported such revenues (76 percent). This performance evidences SBSU's willingness to provide financing to small businesses, an identified credit need in the AA. Considering SBSU's community lending focus, lending capacity, competition, and AA demographics, its distribution of small business loans by borrower revenue size is reasonable.

COMMUNITY DEVELOPMENT TEST

SBSU's community development performance demonstrates adequate responsiveness to community development needs in the St. George MSA AA through community development loans, qualified investments, qualified donations, and community development services, considering SBSU's capacity and the need and availability of such opportunities for community development in this AA. SBSU's community development activities in the AA for the review period of February 26, 2007, through the current evaluation date of April 12, 2010, are detailed below.

Community Development Loans

SBSU's community development loan activities demonstrate adequate responsiveness to the St. George MSA AA's community development needs. SBSU originated 6 community development loans, totaling approximately \$5 million, within the AA during the review period.

Table 14 - Community Development Loans in the St. George MSA AA by Activity Year and Community Development Purpose								
Primary Community Development Purpose	2007		2008		2009		Year to Date (YTD) 2010	
	#	\$000s	#	\$000s	#	\$000s	#	\$000s
Affordable Housing	0	0	1	600	1	525	0	0
Revitalization or Stabilization of LMI or Underserved Areas	2	468	1	3,698	0	0	0	0
Total	2	468	2	4,298	1	525	0	0

Source: SBSU Records

Two of the five originated loans helped develop affordable housing for LMI individuals, or within LMI areas. One of these loans was used to renovate town homes that offer below market rents to LMI individuals. The other affordable housing loan targeted a moderate-income area of town where acquired land is being developed into affordable housing. The remaining three loans served to support economic development by financing small businesses, and support the revitalization of LMI areas. These loans either provided financing for critical municipal services in LMI areas, or for small businesses creating jobs for LMI individuals.

Qualified Investments and Donations

SBSU's qualified investment and donation activities demonstrate adequate responsiveness to the St. George MSA AA's community development needs. SBSU's four qualified investments, totaling approximately \$2.6 million, provide specific benefits to municipalities and one school district within the St. George MSA. In addition, SBSU made 40 qualified donations, totaling approximately \$29,000 in the St. George MSA, during the review period. Table 15 below details SBSU's qualified investments and donations in the AA by activity year and the primary community development purpose.

Table 15 – Qualified Investments and Donations in the St. George MSA by Activity Year and Community Development Purpose								
Primary Community Development Purpose	2007		2008		2009		YTD 2010	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Qualified Investments								
Revitalization or Stabilization of LMI or Underserved Areas	0	0	0	0	0	0	4	2,660
Qualified Donations								
Affordable Housing	2	1	0	0	0	0	0	0
Community Services	7	5	16	13	13	9	2	2
Total Investments and Donations	9	6	16	13	13	9	6	2,662

Source: SBSU's Records

As illustrated in Table 15, the majority of the donations help to meet the community service needs of LMI individuals within the AA. However, a couple donations benefit affordable housing initiatives. Table 15 also reveals that the largest number and dollar volume of donations were made in 2008.

Community Development Services

SBSU's community development service activities demonstrate adequate responsiveness to the St. George MSA AA's community development needs. SBSU's employees and officers contributed their financial expertise to numerous organizations serving the community development needs of this AA. Over the 3-year review period (February 26, 2007, through April 12, 2010) this equated to a total of 72 service hours. Table 16 below details SBSU's annual contribution of qualified service hours in the AA by the primary community development purpose of the service.

Table 16 – Qualified Service Hours by Community Development Purpose in the St. George MSA AA				
Community Development Purpose	Number of Qualified Service Hours			
	2007	2008	2009	YTD 2010
Community Services for LMI	60	9	0	0
Revitalization or Stabilization of LMI or Underserved Areas	0	3	0	0
Total Service Hours	60	12	0	0

Source: SBSU Records

As illustrated in Table 16, these service hours primarily helped to meet the community service needs of LMI individuals and the revitalization and stabilization needs of the St. George MSA AA. Although SBSU did not have qualified service hours in 2009 and YTD 2010, employees were involved in various community service activities that did not have the “primary” purpose of targeting LMI individuals and neighborhoods. In many instances, LMI individuals would have benefited from these services.

In addition to community development service hours, SBSU offers several loan/deposit products and services that benefit LMI individuals in both of its AAs, including the St. George MSA AA. Refer to the overall community development test conclusions for details of these products and services.

COMBINED NON-MSA AA

(Reviewed using full-scope review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE COMBINED NON- MSA AA

Including its main office in Cedar City, Utah, SBSU operates nine retail offices in the Combined Non-MSA AA. Of SBSU's 193 total employees, 140 (or 73 percent) work at these offices.

Table 17 below provides a list of SBSU's offices in the Combined Non-MSA AA, their locations, CTs, CT income levels, hours of operation, and on-site alternative delivery systems.

Table 17 – Office Locations and Hours of Operations in the Combined Non-MSA AA					
Office Name	Location	CT	CT Income Level	Hours of Operation	On-site Alternative Delivery Systems
Main Office	Cedar City, UT Iron County	1105.00	Moderate	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:30am – 6:00pm Saturday 9:00am – 1:00pm	On-site drive-up and walk-up ATMs
Cedar City Wal-Mart	Cedar City, UT Iron County	1107.00	Middle	Lobby: Mon – Fri 10:00am – 7:00pm Saturday 10:00am – 4:00pm	On-site ATM
Circleville Branch	Circleville, UT Piute County	9801.00	Middle	Lobby: Mon – Fri 8:30am – 3:00pm Drive-up: Mon – Fri 8:30am – 5:00pm	
Kanab Branch	Kanab, UT Kane County	1302.00	Middle	Lobby: Mon – Thurs 9:00am – 3:00pm Friday 9:00am – 6:00pm Drive-up: Mon – Thurs 8:30am – 5:00pm Friday 8:30am – 6:00pm Saturday 9:00am – 1:00pm	On-site ATM
Long Valley Branch	Orderville, UT Kane County	1301.00	Middle	Lobby: Mon – Fri 9:00am – 3:00pm Drive-up: Mon – Fri 8:30am – 5:00pm	
Parowan Branch	Parowan, UT Iron County	1101.00	Middle	Lobby: Mon – Thurs 9:00am – 3:00pm Friday 9:00am – 6:00pm Drive-up: Mon – Thurs 8:30am – 5:00pm Friday 8:30am – 6:00pm	On-site ATM
Richfield	Richfield, UT Sevier County	9752.00	Middle	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 9:00am – 6:00pm	On-site ATM
Cedar City Mortgage Office	Cedar City, UT Iron County	1106.00	Middle	Lobby: Mon – Fri 9:00am – 5:00pm Drive-up: Mon – Fri 8:30am – 6:00pm	
Bryce Valley Branch	Tropic, UT Garfield County	0002.00	Middle	Lobby: Mon – Thurs 9:00am – 3:00pm Friday 9:00am – 5:00pm Drive-up: Mon – Fri 8:30am – 5:00pm	

Source: SBSU Records; 2000 U.S. Census Data

Demographics

Table 18 shows the breakdown of the geographic income characteristics of the 18 CTs in the Combined Non-MSA AA based on 2000 U.S. Census Data, along with other selected demographic data.

Table 18 - Demographic Information for the Combined Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (CTs)*	18	0	11	89	0	0
Population by Geography*	64,837	0	15	85	0	0
Owner-Occupied Housing by Geography*	15,469	0	11	88	0	0
Business by Geography**	7,904	0	19	81	0	0
Farms by Geography**	331	0	13	87	0	0
Family Distribution by Income Level*	16,393	0	15	85	0	0
Distribution of LMI Families throughout AA Geographies*	6,649	0	19	81	0	0
MFI *		\$41,239	Median Housing Value*		\$100,992	
HUD Adjusted MFI for 2009***		\$51,800	Unemployment Rate****		9%	
Households Below Poverty Level*		14%				

The NA category has no geographies with an unassigned income classification.

Sources: *2000 U.S. Census; ** 2009 D&B, *** HUD adjusted MFI for 2009; ****Utah Department of Workforce Services, calculated combined unemployment for five counties, actual figures range from 6.4% - 10.2%.

According to the 2000 U.S. Census, the Combined Non-MSA AA containing Garfield, Iron, Kane, Piute, and Sevier counties, have a combined population of almost 65,000. The following narrative details the AA down into its component counties.

Garfield County

According to the 2000 U.S. Census, Garfield County has a population of 4,735; 1,588 total households, and 1,214 total families. Major cities include Panguitch (county seat), Tropic, Antimony, Boulder, Cannonville, Escalante, Hatch, and Henrieville.

According to the Utah Department of Workforce Services, Garfield County depends more on tourism and recreation for employment than any other county in Utah. With Bryce Canyon, Lake Powell, state parks, and scenic beauties, the county attracts many visitors each year. Garfield County exhibits one of the highest unemployment rates in the state due to the seasonal nature of the tourist economy. Over 38 percent of Garfield County's non-farm employment is in the leisure/hospitality industry, which contrasts with the statewide figure of only 9 percent.

Iron County

According to the 2000 U.S. Census, Iron County has a population of 33,779; 10,676 total households; and 8,197 total families. Originally named Little Salt Lake Valley, the county was renamed for the iron mines west of Cedar City. Major cities and towns include Parowan City (county seat), Brianhead, Cedar City, Enoch, Kanarraville, and Paragonah.

Kane County

According to the 2000 U.S. Census, Kane County has a population of 6,046; 2,236 total households; and 1,636 total families. Major cities and towns include Kanab (county seat), Alton, Big Water, Duck Creek, Glendale, Mt. Carmel, and Orderville.

Tourism-related jobs make up a larger-than-average share of Kane County's employment base. Lake Powell and other recreation sites contribute to a leisure/hospitality sector, which comprises almost 30 percent of total nonfarm jobs, compared to 10 percent statewide.

Piute County

According to the 2000 U.S. Census, Piute County has a population of 1,435; 503 total households; and 386 total families. Major cities and towns include Junction (the county seat), Greenwich, Marysville, Circleville (the largest city), and Kingston.

Sevier County

According to the 2000 U.S. Census, Sevier County has a population of 18,842; 6,104 total households; and 4,960 total families. Major cities and towns include Salina, Richfield, Monroe, Aurora, Elsinore, Redmond, Anabella, and Glenwood.

Competitive Environment

According to the June 30, 2009, FDIC Summary of Deposits, SBSU faces competition from six financial institutions in the Combined Non-MSA for deposit market share. The seven institutions account for 25 banking offices and \$906 million in total deposits within the Combined Non-MSA. SBSU ranks 1st with a 43 percent share of total deposits in the Combined Non-MSA. One large regional bank and one national bank rank 2nd and 3rd behind SBSU with combined market share of 43 percent.

According to 2008 aggregate HMDA data, SBSU faced competition from 214 reporting financial institutions for home mortgage market share in the Combined Non-MSA AA. All reporting institutions originated or purchased 5,530 home mortgage loans, totaling a little less than \$1

billion. SBSU ranked 7th, with a 4.97 percent share of the total number of home mortgage loans. The 2009 aggregate HMDA data is not yet available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE COMBINED NON-MSA AA

SBSU's CRA performance in the Combined Non-MSA AA reflects excellent responsiveness to AA credit needs. SBSU's performance under the lending and community development tests for intermediate small institutions is summarized below.

LENDING TEST

SBSU's lending performance demonstrates excellent responsiveness to community credit needs in the Combined Non-MSA AA, considering SBSU's capacity and resources. SBSU's lending activity included 215 home mortgage loans totaling \$39 million in 2008; 372 home mortgage loans totaling \$62 million in 2009; 122 small farm loans totaling \$7 million in 2008; 128 small farm loans totaling \$6 million in 2009; 421 small business loans totaling \$40 million in 2008; and 373 small business loans totaling \$32 million in 2009. This represents 74 percent by number and 68 percent by dollar volume of total SBSU loans reviewed. Summarized below is SBSU's performance under the geographic distribution and borrower profile lending test criteria in the Combined Non-MSA AA.

Geographic Distribution of Loans

SBSU's geographic distribution of loans reflects excellent dispersion of loans throughout the AA. The geographic distributions of small farm and small business loans reflect excellent penetration in moderate-income CTs, while the geographic distribution of home mortgage loans reflects reasonable penetration in moderate-income CTs. No unexplained lending gaps were identified.

Home Mortgage Loans

The geographic distribution of SBSU's home mortgage loans illustrates reasonable dispersion of loans throughout the AA. Table 19 provides the geographic distribution of SBSU's home mortgage loans within the AA by number of loans. The geographic distributions of 2008 Aggregate HMDA data and owner-occupied housing units are also shown for comparison purposes.

Table 19 - Geographic Distribution of Home Mortgage Loans in the Combined Non-MSA AA

CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		2008 Aggregate Lending**	Owner Occupied Units***
	#	%	#	%	%	%
Low	0	0	0	0	0	0
Moderate	31	14	59	16	16	11
Middle	184	86	313	84	84	89
Upper	0	0	0	0	0	0
Total	215	100	372	100	100	100

Sources: *SBSU's Reported HMDA data; **2008 Aggregate HMDA data; ***2000 U.S. Census Data.

As illustrated in Table 19, SBSU's penetration of home mortgage loans in moderate-income CTs increased from 14 percent in 2008 to 16 percent in 2009. SBSU's penetration of these CTs for both years is greater than the percentage of the AA's owner-occupied housing units that are located in these CTs (11 percent). The comparison of 2008 SBSU lending to aggregate lending in 2008 is favorable for moderate-income CTs and is weighted more heavily because it better represents the demand for home mortgage loans within the AA. Analysis of the distribution by dollar volume yielded similar results. Considering SBSU's community lending focus, lending capacity, and competition, SBSU's geographic distribution of home mortgage loans is reasonable.

Small Farm Loans

The geographic distribution of SBSU's small farm loans illustrates an excellent dispersion of loans throughout the AA. Table 20 provides the geographic distribution of SBSU's small farm loans within the AA, as represented by SBSU's collected small farm loan data. The geographic distribution of the total number of farms in the AA is also shown for comparison purposes.

Table 20 - Geographic Distribution of Small Farm Loans in the Combined Non-MSA AA

CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		Farms**	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	21	17	26	20	42	14
Middle	101	83	102	80	259	86
Upper	0	0	0	0	0	0
Total	122	100	128	100	301	0

Sources: *SBSU's collected small farm loan originations data; **June 2009 D&B.

As illustrated in Table 20, SBSU's penetration of moderate-income CTs for both 2008 and 2009 by the number of small farm loans (17 percent and 20 percent, respectively) compares favorably

to the percentage of the AA's farms that are located in these CTs (14 percent). Considering SBSU's community lending focus, lending capacity, and competition, SBSU's geographic distribution of small farm loans is excellent.

Small Business Loans

The geographic distribution of SBSU's small business loans reflects an excellent dispersion of loans throughout the AA, given the demographics and current economic condition of the AA, and considering SBSU's lending capacity, competition, and office locations. Table 21 provides the geographic distribution of SBSU's small business loans within the AA, as represented by SBSU's collected small business loan data. The geographic distribution of the total number of businesses in the AA is also shown for comparison purposes.

Table 21 - Geographic Distribution of Small Business Loans in the Combined Non-MSA AA						
CT Income Level	2008 SBSU Loans*		2009 SBSU Loans*		Businesses**	
	#	%	#	%	#	%
Low	0	0	0	0	0	0
Moderate	104	25	81	22	1,214	18
Middle	317	75	292	78	5,446	82
Upper	0	0	0	0	0	0
Total	421	100	373	100	6,660	100

Sources: *SBSU's collected small business loan data; **June 2009 D&B.

As illustrated in Table 21, SBSU's 2008 and 2009 small business lending activity in moderate-income CTs (25 and 22 percent, respectively) exceeds the percentage of businesses in these CTs (18 percent). Although not shown in the table above, the analysis by dollar volume in 2009 reveals stronger penetration of moderate-income CTs. The bank's dollar amount percentage of small business loans in 2009 to moderate-income CTs was 27 percent. Considering SBSU's office locations, lending capacity, and competition, SBSU's geographic distribution of small business loans is considered excellent.

Borrower Profile

SBSU's overall borrower profile performance within the AA is considered reasonable. The distribution of home mortgage loans by borrower income level reflects reasonable penetration among individuals of different income levels. The distributions of both small farm and small business loans reflect reasonable penetration of loans to smaller-sized farms and businesses.

Home Mortgage Loans

SBSU's distribution of home mortgage loans reflects reasonable penetration of lending among LMI individuals within the AA. Table 22 provides the distribution of SBSU's home mortgage

loans originated within the AA during 2008 and 2009, by number of loans, among borrowers of different income levels. The distribution of the total number of families and the borrower income distribution of the 2008 aggregate lending data in the AA is also shown for comparison purposes.

Table 22 - Borrower Distribution of Home Mortgage Loans in the Combined Non-MSA AA						
Borrower Income Level	2008 SBSU Loans*		2009 SBSU Loans*		2008 Aggregate Lending**	Families***
	#	%	#	%	%	%
Low	8	4	12	3	2	0
Moderate	24	11	64	17	13	15
Middle	68	32	93	25	25	85
Upper	113	52	198	53	45	0
N/A****	2	1	5	2	15	0
Total	215	100	372	100	100	100

Sources: *SBSU's Reported HMDA data; **2008 Aggregate HMDA data; ***2000 U.S. Census Data; ****N/A category primarily includes loans made to commercial entities.

As illustrated in Table 22, SBSU's penetration of home mortgage loans in 2008 to LMI borrowers (4 percent and 11 percent, respectively) compares reasonably to the 2008 aggregate performance (2 and 13 percent, respectively), and reasonably to the distribution of families in these income levels (0 and 15 percent, respectively). SBSU's performance to moderate-income borrowers increased slightly in 2009. The percentage of AA families below the poverty line at 14 percent, indicating that homeownership for these and many low-income families in the AA is not affordable, further supports this conclusion. Analysis of the distribution by dollar volume yielded similar results. Considering SBSU's community lending focus, lending capacity, competition, and AA demographics, its distribution of home mortgage loans by borrower income is reasonable.

Small Farm Loans

SBSU's distribution of small farm loans reveals a reasonable penetration of loans among farms of different revenue sizes within the AA. Table 23 provides the distribution of SBSU's small farm lending activity among farms with differing GARs, as represented by SBSU's collected small farm loan data. The table provides the distribution of loans by number volume of loans. The GAR distribution of the total number of farms in the AA is also shown for comparison purposes.

Table 23 - Distribution of Small Farm Loans by Borrower GAR Size in the Combined Non-MSA AA						
GAR Size (000s)	2008 SBSU Loans*		2009 SBSU Loans		Farms**	
	#	%	#	%	#	%
≤ \$1,000	121	99	121	95	322	97
> \$1,000	1	1	7	5	5	2
Not Known/Reported	0	0	0	0	4	1
Total	122	100	128	100	331	100

Sources: *SBSU's collected small farm loan data; **June 2009 D&B.

As illustrated in Table 23, SBSU originated 99 percent in 2008 and 95 percent in 2009 by number volume of its small farm loans to farms with GARs of \$1 million or less. This performance compares reasonably with the percentage of farms reporting such revenues (97 percent). Analyses by dollar volume yielded similar results. Considering SBSU's community lending focus, lending capacity, competition, and AA demographics, its distribution of small farm loans by borrower revenue is reasonable.

Small Business Loans

SBSU's distribution of small business loans indicates reasonable penetration of loans among businesses of different revenue sizes within the AA. Table 24 provides the distribution of SBSU's small business lending activity among businesses with differing GARs, as represented by SBSU's collected small farm loan data. The table provides the distribution of loans by number volume of loans. The GAR distribution of the total number of businesses in the AA is also shown for comparison purposes.

Table 24 - Distribution of Small Business Loans by Borrower GAR Size in the Combined Non-MSA AA						
GAR Size (000s)	2008 SBSU Loans*		2009 SBSU Loans		Businesses**	
	#	%	#	%	#	%
≤ \$1,000	323	77	276	74	5,878	74
> \$1,000	98	23	97	26	197	3
Not Known/Reported	0	0	0	0	1,829	23
Total	421	100	373	100	7,904	100

Sources: *SBSU's collected small business loan data; **June 2009 D&B.

As illustrated in Table 24, the percentage of SBSU's small business loans in 2008 and 2009 by number to businesses earning \$1 million or less in GARs (77 and 74 percent, respectively) compares favorably to the percentage of the AA's businesses that reported such revenues (74 percent). Considering SBSU's community lending focus, lending capacity, competition, and AA demographics, its distribution of small business loans by borrower revenue size is reasonable.

COMMUNITY DEVELOPMENT TEST

SBSU's community development performance demonstrates adequate responsiveness to community development needs in the Combined Non-MSA AA through community development loans, qualified investments, and community development services, considering SBSU's capacity and the need and availability of such opportunities for community development in this AA. SBSU's community development activities in the AA for the review period of February 26, 2007, through the current evaluation date of April 12, 2010, are detailed below.

Community Development Loans

SBSU's community development loan activities demonstrate adequate responsiveness to the Combined Non-MSA's community development needs. SBSU originated or renewed 10 community development loans, totaling approximately \$15 million, during the review period.

Table 25 - Community Development Loans by Activity Year and Community Development Purpose in the Combined Non-MSA AA								
Primary Community Development Purpose	2007		2008		2009		YTD 2010	
	#	\$000s	#	\$000s	#	\$000s	#	\$000s
Affordable Housing	0	0	1	1,638	0	0	0	0
Economic Development	0	0	1	1,690	0	0	0	0
Revitalization or Stabilization	2	1,485	5	9,521	1	300	0	0
Total	2	1,485	7	12,849	1	300	0	0

Source: SBSU Records

One of the 10 community development loans helped finance affordable multi-family housing units that plan to have below-market rents to provide housing options to LMI individuals. Six of the loans were to municipalities to finance the purchase or development of necessary community services in LMI and underserved areas within the AA. Three of the loans were SBA loans to small businesses to finance real estate to promote economic development or revitalization and stabilization of LMI or underserved areas. Community development lending activity within the AA has declined in recent years; however, SBSU continues to look for opportunities. SBSU is originating small business and small farm loans, which have the primary purpose of community development, and are analyzed in other areas of this evaluation.

Qualified Investments and Donations

SBSU's qualified donation activities demonstrate adequate responsiveness to the Combined Non-MSA AA's community development needs. SBSU's 10 qualified investments, totaling

approximately \$4.3 million, provide specific benefits to the Combined Non-MSA. In addition, SBSU made 42 qualified donations, totaling approximately \$86,000 in the AA during the review period. Table 26 below details SBSU's qualified donations in the AA by activity year and the primary community development purpose.

Table 26 – Qualified Investments and Donations in the Combined Non-MSA AA by Activity Year and Community Development Purpose								
Primary Community Development Purpose	2007		2008		2009		YTD 2010	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Qualified Investments								
Revitalization or Stabilization of LMI or Underserved Areas	0	0	0	0	7	2,685	3	1,621
Qualified Donations								
Affordable Housing	3	6	1	1	2	1	1	1
Community Services	10	38	8	17	14	20	2	1
Revitalization or Stabilization of LMI or Underserved Areas	0	0	0	0	1	1	0	0
Total Investments and Donations	13	44	9	18	24	2,707	6	1,623

Source: SBSU's Records

As illustrated in Table 26, the majority of the donations help to meet the community service needs of LMI individuals within the AA. However, several donations benefit revitalization, stabilization, and affordable housing initiatives. Table 26 also reveals that the largest number and dollar volume of donations were made in 2009. Donation activity decreased by dollar amount from 2007 to 2008, but then increased again in 2009.

Community Development Services

SBSU's community development service activities demonstrate adequate responsiveness to the Combined Non-MSA AA's community development needs. SBSU employees and officers contributed their financial expertise to numerous organizations serving the community development needs of this AA. Over the 3-year review period (February 27, 2007, through April 12, 2010) this equated to a total of 111 service hours. Table 27 below details SBSU's annual contribution of qualified service hours in the AA by the primary community development purpose of the service.

Table 27 – Qualified Service Hours by Community Development Purpose in the Combined Non-MSA AA				
Community Development Purpose	Number of Qualified Service Hours			
	2007	2008	2009	YTD 2010
Community Services for LMI	55	14	16	8
Revitalization or Stabilization of LMI or Underserved Areas	12	0	12	0
Total Service Hours	67	14	28	8

Source: SBSU Records

As illustrated in Table 27, these service hours primarily helped to meet the community service needs of LMI individuals, and the revitalization and stabilization needs of the Combined Non-MSA AA.

In addition to community development service hours, SBSU offers several loan/deposit products and services that benefit LMI individuals both of its AAs, including the Combined Non-MSA AA. Refer to the overall community development test conclusions for details of these products and services.

APPENDIX A

SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION		
CRA Intermediate Small Institution Procedures with review of Small Business Lending Activity, Small Farm Lending Activity, Home Mortgage Lending Activity and Community Development Activities, as applicable, within two Utah AAs: St. George MSA and the Combined non-MSAs.		
TIME PERIOD REVIEWED	2/26/2007 to 4/12/2010	
FINANCIAL INSTITUTION	PRODUCTS REVIEWED	TIME PERIOD REVIEWED
State Bank of Southern Utah (SBSU), Cedar City, UT	Small Business Loans	1/1/2008 to 12/31/2009
	Small Farm Loans	1/1/2008 to 12/31/2009
	Home Mortgage Loans	1/1/2008 to 12/31/2009
	Community Development Activities	2/26/2007 to 4/12/2010
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Southern Utah Bancorporation, Cedar City, UT	Holding Company	None

LIST OF AAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
UTAH - ST. GEORGE MSA AA COMBINED NON- MSA AA	Full-scope review Full-scope review	None Main Bank	HMDA, Small Farm and Small Business Loans and Community development loans, donations, and services.

APPENDIX B - GENERAL DEFINITIONS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Census tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, (4) activities that revitalize or stabilize: (i) Low- or moderate-income geographies; (ii) Designated disaster areas; or (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the agencies, based on a. Rates of poverty, unemployment, and population loss; or b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of LMI individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. In addition, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit LMI groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries

(either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro-enterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into the following below:

- Male householder (A family with a male householder and no wife present) or
- Female householder (A family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling

loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates, which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census Data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at

least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of geography.

Multifamily: Refers to a residential structure that contains five or more units.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are

secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of geography.